Creative Purpose Sdn Bhd & Anor v Integrated Trans Corp Sdn Bhd & Ors

HIGH COURT (KUALA LUMPUR) — CIVIL SUIT NO D5-22-165-1995
KAMALANATHAN RATNAM JC
24 JANUARY 1997

Copyright *— Computer software programs — Infringement — Whether computer software programs are protected by copyright — Copyright Act 1987 s 3*

Copyright *— Computer software programs — Infringement — 'Hacking' — Modification of programs to circumvent security feature of software — Whether such acts amount to infringement of copyright — Copyright Act 1987*

Copyright *— Computer software programs — Improved versions — Whether improved versions of software are protected by copyright — Whether copyright could subsist in some part of a literary work without subsisting in other parts — Copyright Act 1987 s 7(2) & (3)*

Copyright *— Computer software programs — Author, meaning of — Whether author means a qualified person — Whether author refers only to a natural person and does not include a corporate body — Presumption of ownership of copyright applied — Copyright Act 1987 ss 3, 10(1) & 26(4)*

The plaintiffs were companies engaged in the business of designing, developing and marketing of software programs. They claimed that the defendants had infringed the copyright of their computer software programs ('the programs') by reproducing and distributing them to the public. The plaintiffs submitted that the defendants had 'hacked' or modified the programs to circumvent the 'dongle' which was a security feature for the programs. The plaintiffs argued that there was a statutory presumption in favour of the ownership being vested in the plaintiffs under s 26(4) of the Copyright Act 1987 ('the Act'). The defendants contended otherwise and further submitted that the authorship of a work is entirely different from 'ownership' of the work, and relying on the definition of 'author' in s 3 of the Act, submitted that the 'author' of a work must refer only to a natural person.

The defendants denied any copyright subsisted in the programs, or that the second plaintiff was the creator or owner of the programs. The defendants claimed that the programs were the joint works of the first plaintiff and the first and second defendants, thus making the parties as joint owners of the copyright. Even if there was a copyright on the programs, the programs alleged to be infringing were the improved and upgraded versions of an existing program which the copyright did not cover. It was also the case of the defendants that the plaintiffs had infringed the copyright of a similar predecessor program operated by CSM.

The defendants further contended that they had the licence or consent of the plaintiffs by way of an oral distributorship agreement

between the second plaintiff and the first defendant and that the plaintiffs had acquiesced to it by acts done; therefore, the plaintiffs were estopped and precluded from denying the implied licence of the defendants in reproducing, distributing and modifying the programs and their improved versions. A

The issues before the court were, inter alia, whether: (i) the programs were protected by copyright; (ii) there was an infringement; (iii) the ownership in the copyright vested in the plaintiffs; (iv) the improved versions could attract copyright; and (v) there was an implied licence. B

Held, allowing the plaintiffs' claim: C

(1) Software programs are protected by s 3 of the Act which should be read broadly to include all manifestation of that set of instructions which can be read by a computer in whatever converted form (see p 437H–I).

(2) The 'hacking' done by the defendants to circumvent the 'dongle' was in fact an infringement of the copyright although it was done without direct copying of the original program (see pp 438I and 439A–C); *Autodesk Inc & Anor v Dyson & Ors* [1992] AIPC 38 followed. D

(3) Section 7(2) of the Act provides that although the quality of a work is unimportant, a literary work is eligible for copyright if the requirements of sub-s (3) of the section are fulfilled. Copyright protection must be given to the work and not to the idea and that so long as original skill and labour was extended, copyright protection must prevail. A computer program such as the plaintiffs', as a species of 'literary work' under Malaysia law, is eligible for copyright if 'sufficient effort' has been expended on it to render the work 'original' and the work is 'reduced to material form'. E F

Even if the allegation that the plaintiffs had infringed CSM's earlier copyright was true, the resultant program of the plaintiffs, if 'original', would attract separate copyright by virtue of s 7(4) of the Act. G

It was also not right to say that copyright could subsist in some parts of a literary work without subsisting in other parts, and that no copyright will be held to subsist in those parts which consist of copied raw material on which no labour and skill have been expended (see pp 440H–I and 441B–C, D, H–I); *Warwick Film Productions Ltd v Eisinger* [1969] Ch 508 distinguished; *Ibcos Computers Ltd & Anor v Barclays Mercantile Highland Finance Ltd & Ors* [1994] FSR 275, *Allibert SA v O'Connor & Anor* [1981] FSR 613 and *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273; [1964] 1 All ER 465 followed. H I

(4) Since CSM was not a party to this instant suit, it was impermissible to assume questions of ownership of the earlier versions without proper evidence being led and the issues proven (see p 444C).

(5) If an 'author' can also mean a 'qualified person' and 'qualified person' is defined by the Act as including a body corporate, it could not be right to read the word 'author' in s 26(4) as referring only to natural persons.

In the fast developing sphere of corporate ownership, it is incongruous to hold that a corporate body cannot claim entitlement to copyright ownership. Once there was on display on the program the name of a person or a corporate body (in this case, the plaintiffs), then by virtue of s 10 of the Act read together with s 26(4) of the Act, copyright ownership shall vest in that said person or corporate body (see pp 445G–H and 446B); *Berjasa Information System Sdn Bhd v Tan Gaik Leong (t/a Jurukur Berjasa) & Anor* [1996] 1 MLJ 808 followed.

(6) There was no evidence to suggest any implied licence granted to the defendants. The acts as alleged to acquiesce the agreement were not proven. With the implied licence, the defendants would not need to circumvent the 'dongle' (see p 448B–I).

[Bahasa Malaysia summary

Plaintif-plaintif merupakan syarikat yang terlibat dalam perniagaan mereka bentuk, memajukan dan memasarkan program perisian. Mereka menuntut bahawa defendan-defendan telah melanggar hakcipta program perisian komputer mereka ('program tersebut') dengan menghasilkan semula dan mengedarkannya kepada masyarakat awam. Plaintif-plaintif berhujah bahawa defendan-defendan telah 'hacked' atau mengubah program bagi memintasi 'dongle' yang merupakan suatu ciri keselamatan program tersebut. Plaintif-plaintif berhujah bahawa terdapat anggapan statutori yang memihak kepada pemunyaan diletakhak dalam plaintif-plaintif di bawah s 26(4) Akta Hakcipta 1987 ('Akta tersebut'). Defendan-defendan berhujah sebaliknya dan seterusnya berhujah bahawa ciptaan sesuatu karya berbeza pada keseluruhannya daripada 'pemunyaan' karya, dan dengan bergantung kepada tafsiran 'pencipta' dalam s 3 Akta tersebut, berhujah bahawa 'pencipta' sesuatu karya mestilah hanya merujuk kepada orang sebenar.

Defendan-defendan menafikan sebarang hakcipta wujud dalam program tersebut, atau bahawa plaintif kedua adalah pencipta atau pemilik program tersebut. Defendan-defendan menuntut bahawa program tersebut adalah karya bersama plaintif pertama dan defendan pertama dan kedua, justeru itu menjadikan pihak-pihak pemunya bersama hakcipta itu. Jika pun terdapat hakcipta pada program tersebut, program yang dikatakan telah melanggar hakcipta adalah versi yang lebih baik dan telah ditingkatkan daripada program yang sedia ada yang tidak dilindungi oleh hakcipta itu. Ia juga merupakan kes defendan-defendan bahawa plaintif-plaintif telah melanggar hakcipta suatu program serupa yang dahulu yang dikendalikan oleh CSM.

Defendan-defendan selanjutnya berhujah bahawa mereka mempunyai lesen atau kebenaran daripada plaintif-plaintif melalui suatu perjanjian pengedaran di antara plaintif kedua dan defendan pertama dan bahawa plaintif-plaintif bersetuju kepadanya menerusi perbuatan yang dilakukan; dengan itu, plaintif-plaintif diestop daripada dan dihalang daripada menafikan bahawa lesen tersirat defendan-defendan dalam menghasilkan semula, mengedar, dan mengubah program tersebut dan versi lebih baik mereka.

Isu-isu di hadapan mahkamah adalah, antara lain, sama ada: (i) program tersebut dilindungi oleh hakcipta; (ii) terdapat pelanggaran; (iii) pemunyaan hakcipta terletakhak dalam plaintif-plaintif; (iv) versi yang lebih baik boleh memperolehi hakcipta; dan (v) terdapat suatu lesen tersirat.

Diputuskan, membenarkan tuntutan plaintif:

(1) Program perisian dilindungi oleh s 3 Akta tersebut yang harus dibaca secara luas untuk termasuk kesemua manifestasi set arahan yang boleh dibaca oleh komputer dalam apa pun bentuk yang telah diubahsuai (lihat ms 437H–I).

(2) 'Hacking' yang dilakukan oleh defendan-defendan bagi memintasi 'dongle' pada hakikatnya merupakan suatu pelanggaran hakcipta meskipun ia dilakukan tanpa salinan langsung program yang asal (lihat ms 438I dan 439A–C); *Autodesk Inc & Anor v Dyson & Ors* [1992] AIPC 38 diikut.

(3) Seksyen 7(2) Akta tersebut memperuntukkan bahawa walaupun mutu sesuatu karya adalah tidak penting, karya kesusasteraan adalah layak untuk hakcipta jika keperluan sub-s (3) seksyen dipenuhi. Perlindungan hakcipta mesti diberikan kepada karya dan bukan kepada idea dan bahawa selama kemahiran dan kerja dilanjutkan, perlindungan hakcipta mesti mengatasi. Program perisian seperti program plaintif-plaintif, sebagai sejenis 'karya kesusasteraan' di bawah undang-undang Malaysia, layak untuk hakcipta jika 'usaha yang mencukupi' telah digunakan ke atasnya untuk menjadikannya 'asli' dan karya itu 'dijadikan kepada bentuk material'.

Jikalaupun pengataan bahawa plaintif-plaintif telah melanggar hakcipta terdahulu CSM adalah benar, program plaintif-plaintif yang berbangkit, jika 'asli', akan memperolehi hakcipta berasingan disebabkan s 7(4) Akta tersebut.

Adalah juga tidak betul untuk mengatakan bahawa hakcipta boleh wujud dalam beberapa bahagian sebuah karya kesusasteraan tanpa wujud di bahagian lain, dan bahawa tiada hakcipta diputuskan wujud dalam bahagian yang mengandungi bahan mentah yang disalin atas mana tiada kerja dan kemahiran telah digunakan (lihat ms 440H–I dan 441B–C, D, H–I); *Warwick Film Productions Ltd v Eisinger* [1969] Ch 508 dibeza; *Ibcos Computers Ltd & Anor v Barclays Mercantile Highland Finance Ltd*

& Ors [1994] FSR 275, *Allibert SA v O'Connor & Anor* [1981] FSR 613 dan *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273; [1964] 1 All ER 465 diikut.

(4) Oleh kerana CSM bukanlah suatu pihak kepada guaman ini, adalah tidak dibenarkan untuk menganggap persoalan pemunyaan versi yang lebih awal tanpa mengemukakan keterangan yang wajar dan pembuktian isu-isu (lihat ms 444C).

(5) Jika 'pencipta' boleh juga bermaksud 'orang yang layak' dan 'orang yang layak' ditafsirkan oleh Akta tersebut sebagai termasuk sebuah perbadanan, adalah tidak betul untuk membaca perkataan 'pencipta' dalam s 26(4) sebagai hanya merujuk kepada orang sebenar.

Dalam dunia pemunyaan korporat yang begitu maju, adalah tidak sesuai untuk memutuskan bahawa sebuah perbadanan tidak boleh menuntut hak kepada pemunyaan hakcipta. Sebaik sahaja dipamerkan pada program nama seseorang atau sebuah perbadanan (dalam kes ini, plaintif-plaintif), maka disebabkan s 10 Akta tersebut dibaca dengan s 26(4) Akta tersebut, pemunyaan hakcipta akan diletakhak dalam orang atau perbadanan itu (lihat ms 445G–H dan 446B); *Berjasa Information System Sdn Bhd v Tan Gaik Leong (t/a Jurukur Berjasa) & Anor* [1996] 1 MLJ 808 diikut.

(6) Tiada bukti bagi mencadangkan apa-apa lesen tersirat telah diberikan kepada defendan-defendan. Tindakan yang dikatakan bersetuju kepada perjanjian tidak dibuktikan. Dengan lesen tersirat, defendan-defendan tidak perlu memintasi 'dongle' (lihat ms 448B–I).]

Notes

For a case on computer software programs, see 3 *Mallal's Digest* (4th Ed, 1994 Reissue) para 2332.

Cases referred to

Allibert SA v O'Connor & Anor [1981] FSR 613 (folld)
Autodesk Inc & Anor v Dyson & Ors [1992] AIPC 38 (folld)
Berjasa Information System Sdn Bhd v Tan Gaik Leong (t/a Jurukur Berjasa) & Anor [1996] 1 MLJ 808 (folld)
Caxton Publishing Co v Sutherland Publishing Co [1939] LR 179 (refd)
Ibcos Computers Ltd & Anor v Barclays Mercantile Highland Finance Ltd & Ors [1994] FSR 275 (folld)
Ladbroke (Football) Ltd v William Hill (Football) Ltd [1964] 1 WLR 273; [1964] 1 All ER 465 (folld)
Revenscroft v Herbert & Anor [1980] RPC 193 (refd)
Warwick Film Productions Ltd v Eisinger [1969] Ch 508 (distd)
Wilts United Dairies Ltd v Thomas Robinson Sons & Co Ltd [1957] RPC 220 (refd)

Legislation referred to

Copyright Act 1987 ss 3, 7(2), (3), (4), 26, 26(4)

Mohd Ariff bin Yusof (*Ooi Huey Ling* with him) (*Cheang & Ariff*) for the plaintiffs.

Teo Bong Kwang (*Raja Darryl & Loh*) for the defendants.

Cur Adv Vult

Kamalanathan Ratnam JC:

Background

Both the first and second plaintiffs are engaged in the business of designing, developing and marketing of software programs. The first plaintiff was incorporated in Malaysia on 23 November 1993 and became a wholly owned subsidiary of the second plaintiff on 17 March 1994 when the initial two paid-up shares were transferred to the second plaintiff. The Malaysian operations are currently conducted by the first plaintiff.

It is common ground between the parties that prior to the incorporation of the first plaintiff, the Malaysian operations had been conducted by another Malaysian incorporated company called Creative Software (M) Sdn Bhd ('CSM') which was incorporated on 18 May 1990. It is also common ground that CSM was wound up by a court order on or about April 1994. Unlike the first plaintiff — which is a wholly-owned subsidiary of the second plaintiff — CSM had common directors and shareholders with the second plaintiff. The two shareholders of CSM, at all material times, were Guyier Magruder and Rachel Swee Mei Ting who were also respectively the technical director/chairman and managing director of CSM.

Facts relied on by the plaintiffs

In or around January 1991, the second plaintiff first published for sale and distribution in Malaysia the software program called 'MEP 3'. This particular software was never published in Singapore or elsewhere. The second plaintiff subsequently allowed the first plaintiff to improve on the MEP 3 program, such that each improved version appeared as a new and upgraded version of MEP 3. There have so far been four upgrades, namely MEP 3.30, MEP 3.31, MEP 3.32 and MEP 3.33. It is the contention of the plaintiff that the copyright in each of the new upgrades or versions as a whole resides in the first plaintiff.

The mechanics of the software program

The plaintiffs' case is that the software programs were designed as comprising two main modules, namely:

(a) a 'loader program'; and

(b) the 'main program'.

The loader is encoded with a special protection code as a deliberate protection against unauthorized copying. The loader functions to start up the main program, but the main program cannot be accessed if the special code in the loader fails to detect the presence of a particular copy protection device. Between 1985 up till June 1994, the copy protection device used was the 'key diskette'. In mid-1994, the 'key diskette' was replaced by a new method of protection involving the use of a 'dongle', a hardware attachment fitted to the printer part of a computer. The dongle functions in the same way as the key diskette. Instead of detecting the presence of the key diskette, the protection code in the loader program looks for the presence of the dongle. In January 1995, MEP 3 version 3.32 was released by the first plaintiff with enhanced features. An advanced protected code was incorporated preventing access into an option or function program known as 'Initialise Payroll' unless a dongle was present. A feature called 'Potongan Cukai Berjadual' was incorporated in the program, and access into the 'Potongan Cukai Berjadual' program could only be achieved through the 'Initialise Payroll' function. From January 1995, all registered users of the plaintiffs were converted to the dongle-based copy protection system. The plaintiffs' case is that the first and/or second and/or third defendants infringed the copyright in MEP 3 versions 3.32 and 3.33 by reproducing without licence or consent, these software programs, and distributing the infringing copies to the public. They also submitted that the defendants have modified these software to circumvent the dongle.

Matters relied on by the defence

The defendants denied that any copying subsists in the Easy Series software, or that the second plaintiff was the creator or owner of the copyright. They also denied that the second plaintiff published the Easy Staff, Easy Cash, or Easy Asset software simultaneously in Malaysia and Singapore. In respect of Easy Pay 3, the defendants denied that it was first published in Malaysia in or around 1991 or that it was never published in Singapore at all. The defendants also contended that the improved versions are the joint works of the first plaintiff and the first and second defendants and that therefore the first and second defendants were joint owners of the copyright. The defendants further contend that they had the licence or consent of the plaintiffs to make reproductions of MEP 3 versions 3.32 and 3.33 by virtue of the terms of an alleged oral distributorship agreement made between the second plaintiff and the first defendant in or about June 1987. Further, it was the contention of the defence that the plaintiffs had acquiesced in the various acts done and as such were estopped and precluded from denying the implied licence of the defendants in reproducing, distributing and modifying the Easy Series and the improved versions. In particular, with reference to the copy protection device, it was contended that the second plaintiff had agreed, since the inception of the oral agreement, to incorporate security features as developed by the third defendant and as such it was agreed that the third defendant would be allowed to modify the second plaintiff's Easy Series so as to ensure that the

Easy Series are compatible and could work with the said security features. The defendants contended that there was no evidence implicating the second and third defendants.

The computer program

In order for me to assess the level to which copyright protection can extend, and how such materials can be infringed, it is necessary to understand the essential nature and characteristics of a computer software program.

Section 3 of the Copyright Act 1987 ('the Act') defines 'computer program' as follows:

> 'computer program' means an expression, in any language, code or notation, of a set of instructions (whether with or without related information) intended to cause a device having an information processing capability to perform a particular function either directly or after either or both of the following:
>
> (a) conversion to another language, code or notation;
>
> (b) reproduction in a different material form; ...

Jacob J in *Ibcos Computers Ltd & Anor v Barclays Mercantile Highland Finance Ltd & Ors* [1994] FSR 275 at p 285 very graphically described the workings of a computer and I can do no better than reproduce the same:

> Computers only work in binary code, a code made up of 0's and 1's. So all data held in a computer or held on a computer storage device (such as a RAM, disc or tape) must be so coded. Likewise, computer programs — the instructions to the processor as to what to do with data — must be in binary form. A binary program code is called an 'object code' or, more graphically, 'machine code'. Computers are given so-called 'operating systems'. These are a kind of basic program concerned with essential computer functions. Popular operating systems are, for instance, 'MS-DOS' and 'Unix'. There are a number of other. These systems are themselves, when in the computer, in binary code. When an application program (ie one which will be caused for a particular application) is loaded into the computer it is loaded, as it were, on top of the operating system. The applications program speaks to the operating system which speaks to the computer.
>
> Now binary form is practically impossible for a human to read or write. Humans write programs in a particular language called a higher level language. That language must have a perfect syntax and grammar. Computers are unforgiving: there is no room for irregular verbs with them. Programming languages are a mixture of words of English and a system of a kind of algebraic instructions. There are many such languages. A popular language of some antiquity is COBOL. A variant of this, usable only on Digital Computer Company's (DEC's) products, is DIBOL and a later variant of DIBOL, usable on other companies' machines is DBL.
>
> The program the human writes is called the 'source code'. After it is written, it is processed by a program called a compiler into binary code. That is what the computer uses. All the words and algebraic symbols become binary numbers. Now when a human writes, he often needs to make notes to remind himself of what he has done and to indicate where the important bits are. This is true of life generally and for programmers. So it is possible to insert messages in a source code. A reader who has access to

A it can then understand, or understand more readily, what is going on. Such notes, which form no part of the program so far as the computer is concerned, are called 'comments'. They are a kind of side-note for humans. In the DIBOL and DBL programs with which I am concerned, a line or part of a line of program which is preceded by a semi-colon is taken by the compiler as a comment. That line is not translated by the compiler into machine B code. The program would work without the comment. It follows that although the computers are unforgiving as to spelling in their programs, they do not care about misspelt comments in the source code. If a line of operational code (a 'command line') is modified by putting a semi-colon in front of it, it ceases to be operational. The computer treats the code as a mere comment. Computer programmers sometimes do this with a line C which pre-exists when they no longer want that line, but are not sure they may not need it in the future. Or, if the programmer thinks he may want to add a feature to his program in the future he may put in a comment allowing for this. He is unlikely in the latter instance to put in detailed code only to comment it out. A general note will do.

Source code, being what humans can understand, is very important to D anyone who wants to copy a program with modifications, for instance to upgrade it. It is the source code which shows the human how it all works, and he or she will also get the benefit of all the comments laid down by the original programmer. Software houses, not surprisingly, normally keep their source code to themselves and confidential.

E At p 287:

Most programs are complicated and have a history of growth. A typical applications program will in fact consist of a number of individual programs linked in various ways, accessing data held in the computer for various purposes. ... Moreover most applications programs undergo a more or less continuous process of organic growth. Individual programs are updated, F features are added or modified and so on. Large software houses issue new versions of their programs from time to time. Sometimes the upgrade is given a new number: lesser modifications tend to be given an old number with a new decimal place.

G *Is there copyright protection for software programs?*

Having considered the numerous cases cited by both parties, it is possible to sieve from the numerous judicial observations, that copyright protection for software program is strongly entrenched, and that the courts have shown a willingness to extend the protection to both the object as well as H the source codes. In fact, a set of instructions which is embedded into an integrated circuit is conferred protection as well. It is my finding that the definition under s 3 of the Act should be read broadly so as to include all manifestations of that set of instructions which can be read by a computer in whatever converted form. This would therefore clearly cover the 'dongle' I device of the plaintiffs.

The technics of the Malaysian Easy Series program

PW2, whose evidence was uncontroversial, said that each of the Easy Series software packages is divided into two components, namely:

(a) the main program, and

(b) the loader.

Both are instructions for the computer. The loader functions to initialize and load and execute the main program into the memory of the computer. The main program for MEP 3 is an application program for payroll management, being the specific function it sets out to perform. Essentially, it is a valuable database program, being an ordered collection of payroll data. When sold, the complete package of MEP 3 consists of two diskettes and a user manual. The two diskettes contain the loader and the main programs, the loader being the smaller of the two. When an update (an improvement) is done, an update disk is supplied to the user. The update disk only carries files containing changes to the existing main program. In itself it is not a complete program. When installed, the update disk will refresh the existing copy of the main program.

MEP3.COM and BPAYROLL.OVL

MEP3.COM is the name of the loader program which loads and, executes, the MEP 3 main program, named BPAYROLL.OVL. The plaintiffs contended that the defendants infringed not only the loader, but also BPAYROLL.OVL, the main program.

The copy protection device

PW2 gave evidence to the effect that when a copy protection device is included in the software package, a protection code is wrapped around the loader program, namely the loader would then have two programs. By June 1994, there was introduced the dongle form of protection which consists of two main components: the hardware device and a software component. The latter component is a computer program as well. PW2 said he had to write two separate programs for the dongle protection system, that is, first, a program to insert a coding into the dongle and second, a program to wrap a corresponding coding around the loader which will check for the presence of the dongle before the loader allows access into the main program. In respect of MEP 3.32, another coding was added to the main program to allow for a check to be done during the operation of the main program itself. The plaintiffs therefore contended that the defendants infringed this particular computer program when they 'patched' or modified the MEP3.COM file and BPAYROLL.OVL file. The defendants in reply argued that there is no evidence adduced to show who owns these two components of the MEP software. I reject this argument because in the case of MEP 3.30, 3.31, 3.32 and 3.3, since copyright will vest in the entire work, it is only logical that copyright in the entire enhanced BPAYROLL.OVL file as well as MEP3.COM file will vest with the plaintiffs.

Circumvention of the dongle protection device is infringement

The plaintiffs submit that the facts of this case establish that the defendants had actually 'hacked' and 'patched' the plaintiffs' copyright programs

directly and flagrantly. It is noteworthy that a somewhat similar set of circumstances occurred in *Autodesk Inc & Anor v Dyson & Ors* [1992] AIPC 38. The appellants held the copyright in a computer-aided design program called AutoCAD, which was sold with a hardware protection device called an AutoCAD lock. The AutoCAD program was a compilation of programs, one of which was a program known as Widget C. Widget C would send out a set of instructions to the AutoCAD lock, and the response from the AutoCAD lock must correspond to a 'look-up' table in its memory. Only where the correct response was received would the main program run. By observing the electronic signals passing between the computer and the AutoCAD lock, the third respondent managed to work out the sequence of correct responses and thereafter devised a substitute for the AutoCAD lock which he called 'Auto Key lock'. The High Court of Australia, on appeal from the full Federal Court, held there had been infringement, although the substitute device was created without direct copying or reproduction of the written computer program.

Originality issue

Both parties conceded that the relevant programs for my consideration are as contained in the Easy Pay Series. The defence argued that there is no dispute that the original Easy Pay 3 program was developed by the second plaintiff, a Singaporean and that the subsequent versions are based on this original version. The defendants contended that the plaintiffs have failed to establish that the later versions are original works protectable under the Act. The crux of the question, submitted the defendants, is whether the plaintiffs have revised the original Easy Pay 3 program sufficiently to attract fresh copyright for the subsequent versions of Easy Pay 3 program. It was the submission of the defendants that the plaintiffs had not led evidence to make the relevant software Easy Pay 3.30, 3.31 or 3.33 original in character. It was contended that even in the case of the Easy Pay 3.32 the evidence showed that there was insufficient effort done to render the same original of the plaintiffs. In any event, the defendants relied on *Warwick Film Productions Ltd v Eisinger* [1969] Ch 508 and submitted that the person who does the improvement is only entitled to copyright protection for the improved version. In *Warwick Film*, the plaintiffs alleged that the defendants had infringed their copyright in two books, namely *The Trials of Oscar Wilde* and *Oscar Wilde: Three Times Tried*. In his account of the proceedings of the trials, the author of the first book, Hyde, had copied substantially from the account in the second book. Hyde, however, also did a good deal of editing. The first defendant who wrote the alleged infringing work did not make any direct use of the second book; instead he copied parts of the proceedings as reproduced in the first book. It was held that both books were entitled to copyright. However, in so far as the first defendant had copied Hyde's unedited copying, and very little of his edited copying, there was no reproduction of a substantial part of the work and therefore no infringement. It was urged upon me to hold by way of implication that *Warwick Film* suggests that a person who subsequently improves an existing work is only entitled to sue for his improved portion and not the part of the work which is copied. Therefore, by comparison to

the present case, it was submitted that unless the plaintiffs could show that the improved portion of the Easy Pay 3.2 is original to the plaintiffs and that the defendants had infringed this portion as well, there ought to be no case for infringement of copyright. The defendants argued that the changing of commands from one program language to another language could be effected by special program tool and rather mechanically. In such a case, there is no creativity involved at all. Thus it was contended that Easy Pay 3.32 is not original and did not therefore attach fresh copyright.

In response, the plaintiffs relied on the judgment of Jacob J in *Ibcos Computers* wherein the learned judge said at p 289:

> Logically, therefore, the claim in copyright calls to be tested in the following order:
>
> (1) What are the work or works in which the plaintiff claims copyright?
>
> (2) Is each such work 'original'?
>
> (3) Was there copying from that work?
>
> (4) If there was copying, has a substantial part of that work been reproduced?

The plaintiffs pointed out that by virtue of s 3 of the Act, the definition of 'literary work' includes:

> (h) computer programs and compilations of computer programs, ...

I was also referred to s 7(2) of the Act which states:

> (2) Works shall be protected irrespective of their quality and the purpose for which they were created.

The plaintiffs referred to the decision of Costello J in *Allibert SA v O'Connor & Anor* [1981] FSR 613 at p 621 wherein he opined:

> These authorities also illustrate the principle that copyright protection is given to the work and not to the idea and that it is not originality of thought that has to be established to obtain copyright protection but original skill and labour in execution. So, copyright protection can exist in a product drawing even though it is based on an earlier product drawing. What the court has to determine in a disputed case is whether the designer has performed sufficient independent labour to justify copyright protection for the drawing he has produced ...

Having considered the various cases cited by both parties, I am of the view that s 7(2) of the Act is more relevant to the present case. This subsection provides that although the quality of a work is unimportant, a literary work is eligible for copyright only if the following requirements of sub-s (3) are fulfilled, in that:

> (a) sufficient effort has been expended to make the work original in character; and
>
> (b) the work has been written down, recorded or otherwise reduced to material form.

In the circumstances, I hold that each individual program in a whole package comprising a composite computer program attracts individual copyright subject to it being 'original'. I am supported in this view by the decision of Jacob J in *Ibcos*' case wherein the learned judge said at p 289:

> Accordingly in my judgment the copyright works include not only the individual programs but the whole package. Moreover in every case where a program was revised or modified enough for a fresh copyright to be created, that copyright is also a relevant work.

I accept as good law the proposition of Costello J that copyright protection is given to the work and not to the idea and that so long as original skill and labour is extended, copyright protection must prevail. A computer program, as a species of 'literary work', under Malaysia law, is eligible for copyright if 'sufficient effort' has been expended on it to render the work 'original' and the work is 'reduced to material form'. It is the case of the defendants which I shall come to later, that the plaintiffs had infringed CSM's copyright in MEP 3.24 or whatever earlier relevant version authorized by CSM's employees. However, s 7(4) of the Act which reads:

> (4) A work shall not be ineligible for copyright by reason only that the making of the work, or the doing of any act in relation to the work involves an infringement of copyright in some other work.

provides the answer to this contention. Even if such an allegation was true, the resultant program of the plaintiff, if 'original', would attract separate copyright by virtue of this subsection. PW3 said in evidence that he had to write a new series of command lines and put that in another file. He then had to create another file incorporating the formula given by the government and program the necessary command lines so that when executed it would apply the correct formula. He admitted that it was not an easy task as he had to insert, add or modify nearly 4,000 lines of commands in C language. This evidence I find has not been disproved by the defendants who merely attempted to highlight similarities between MEP 3.32 and 3.24 through the evidence of DW3. Further, when exh P11(a) was demonstrated to me in open court, the very clear statement of copyright ownership, vesting in the first and second plaintiffs in the opening screen display puts paid to any claim to ownership by CSM.

In so far as this court is concerned, what is in issue is the copyright ownership in MEP 3.32 and 3.33, not 3.24 and any other earlier version done by CSM.

Referring to *Warwick Film* relied on heavily by the defendants to back up their submission that a person who subsequently improves an existing work is only entitled to sue for his improved portion, I cannot agree that that was the view of the learned judge. The learned judge said at p 530:

> Counsel also submitted the alternative argument that, as a matter of law, copyright can subsist in some parts of a literary work without subsisting in other parts, and that no copyright will be held to subsist in those parts which consist of copied raw material on which no labour and skill have been expended. In support of these propositions, counsel cited *Low v Ward* ((1868) LR 6 Eq 415), *Leslie v J Young & Sons* ([1894] AC 335 (HL)) and *Macmillan & Co v Cooper* ((1923) 40 TLR 186 (PC)).
>
> I do not, however, propose to refer to these cases in any further detail because recently the House of Lords has preferred a different approach to the problem which arises where a literary work includes unoriginal or

pirated material. I refer to *Ladbroke (Football) Ltd v William Hill (Football) Ltd* ([1964] 1 WLR 273; [1964] 1 All ER 465, HL(E)). A

Plowman J then referred at length to *Ladbroke*'s case, particularly the judgments of Lords Hodson, Devlin and Pearce, where the principle laid down clearly rejects the 'dissection' argument (that is, that one could dissect parts of a work and attribute copyright only to parts and not the whole, in cases where a work builds upon a prior existing work). His Lordship continued at p 532 by quoting Lord Hodson: B

> The defendants have sought to argue that the coupons can be dissected and that upon analysis no copyright attached to any of their component parts and accordingly no protection is available. In my opinion, this approach is wrong and the coupons must be looked at as a whole. C

Issue of ownership of the program

It is the plaintiffs' case that the second plaintiff is and was at all material times the copyright owner of the original programs in the following business application software products, namely: D

(a) Easy Staff, a human resource management software.

(b) Easy Cash, a cash flow software.

(c) Easy Asset, an asset depreciation management software.

(d) Easy Pay 3, a payroll processing software designed solely for the Malaysian market. E

These are collectively called the Easy Series.

Except for Easy Pay 3 (MEP 3) which was designed and published solely in Malaysia in or around January 1991, the plaintiffs contended that the other Easy Series products were published for sale and distribution both in Malaysia and Singapore. The plaintiffs' central claim on the pleadings is copyright infringement in that there has been infringement by the defendants of the first plaintiff's copyright in various relevant versions of the MEP 3 software, and likewise, the second plaintiff's copyright in MEP 3. It is the plaintiffs' contention that copyright in the MEP 3 series' later versions and upgrades are jointly owned by the first and second plaintiffs and that the fact of joint ownership is supported by a statutory presumption in the Copyright Act 1987; see s 26(4)(a) which states that the name on a work purporting to be the name of its author shall be considered as such, unless the contrary is proved. It was the plaintiffs' submission that although they have pleaded the infringement issue in terms of unauthorised reproduction and distribution of the Easy Series, the thrust of their claim rests on infringement of the MEP 3 software, in particular Easy Pay versions 3.30, 3.31, 3.32 and 3.33. This, the defendants agreed in their submission. F G H

The defendants submitted that even if the first plaintiff had proved that the Easy Pay 3.32 program was their original work, they had failed to establish that they are the rightful owners of the same. It is common ground that the Easy Pay 3 program was first developed by the second I

A plaintiff in Singapore. But it was argued that unless there is sufficient publication within Malaysia, such Singaporean program is not protected in Malaysia. This was because the second plaintiff being incorporated in Singapore and a non-Berne Convention country, could only claim copyright protection if the conditions relating to first publication as laid down in s 10(2) of the Act are fulfilled. The defendants relied on a passage from *Copyright Law in Malaysia* by Khaw Lake Tee (1994 Ed) at pp 23–24:

> Under s 10(2), all works, with the exception of works of architecture and broadcasts, to which special rules apply, are entitled to copyright if they are first published in Malaysia, that is, they are made available to the public. A work is also deemed to be first published in Malaysia if it was first published elsewhere but was subsequently published in Malaysia within 30 days of that first publication. This means that if a work was first published in Singapore and was subsequently published in Malaysia within 30 days of that published in Singapore, the work would be protected under the Copyright Act 1987.
>
> As from 1 October 1990, all works first published in any of the Berne Union countries are also entitled to copyright protection in Malaysia, regardless of whether they are published in Malaysia itself.

It was the submission of the defence that the plaintiffs had not produced any evidence of the first publication of the Easy Pay 3 program in Malaysia.

The plaintiffs replied stating that whilst the original Easy Pay software program was created by the second plaintiff, evidence had been led by the plaintiffs that MEP 3 was designed specifically for the Malaysian market and was published and released in Malaysia in and around January 1991.

It is my finding that whilst the plaintiffs have led evidence to prove publication in Malaysia, the defendants have not at all introduced any evidence to show otherwise. Whilst I accept as trite law that the overall burden of proof lies on the plaintiffs, the evidential burden in relation to this particular issue, as it has been raised by the defendants, has to be discharged by the defendants. Since I have found that the defendants have failed to discharge that burden, such a contention remains a bare allegation unsupported by evidence. The evidence led by the plaintiffs is through PW2 who had stated how MEP 3 program came to be developed (sometime in January 1991) and that the first sales were recorded in February of the same year and these items of evidence were tendered as part of the agreed bundle of documents (ABD1).

The defendants then contended that there was no evidence that the subsequent versions of Easy Pay 3.1, 3.2 and 3.24 were created and owned by any of the plaintiffs. In fact, evidence showed that these versions of Easy Pay 3 were created by CSM, now wound up. Since there was no evidence of any subsequent divesting of these programs to the plaintiffs, it was the defence submission that the copyright in these versions should still remain in the liquidators of CSM. Pointing out that the first defendant was only incorporated in 1994, it was not possible for it to own copyright in computer programs which were created prior to its formation unless there was a valid assignment of these programs from the previous owner.

The plaintiffs' reply to this was that their claim to ownership and on which there is evidence of infringement by the defendants, are MEP 3.30, 3.31, 3.32 and 3.33. Earlier versions of the MEP series authored by CSM are not in issue. They contended that whether copyright in versions 3.1, 3.2 and 3.24 vests in the liquidator of CSM or otherwise, was irrelevant for the purposes of the present suit. Likewise, it was irrelevant for purposes of the present suit to consider whether these versions created by CSM have been divested to the plaintiffs.

I agree. It is my finding that since CSM is not a party to this instant suit, it is impermissible to assume questions of ownership of these earlier versions without proper evidence being led and the issues proven. In any event, I find no claim by the plaintiffs that the first plaintiff owned copyright in programs created prior to its incorporation in 1994. From the entire pleadings and the evidence adduced, the plaintiffs claimed joint ownership of the copyright in MEP 3.30, 3.31, 3.32 and 3.33.

Statutory presumption under s 26(4) of the Act

The said subsection reads:

> (4) Subject to sub-s (3) —
>
> (a) the name on a work purporting to be the name of its author shall be considered as such, unless the contrary is proved;
>
> (b) in the case of an anonymous or pseudonymous work, the publisher whose name is indicated in the work as such shall be deemed to be, unless the contrary is proved, the legal representative of the anonymous or pseudonymous author and shall be entitled to exercise and protect the rights belonging to the author under this Act;
>
> (c) in the case of unpublished work where the identity of the author is unknown, but where there is every reason to presume that he is a citizen of Malaysia, the copyright conferred by this Act shall be deemed to vest in the Minister charged with the responsibility for culture.

The plaintiffs argued that there is a statutory presumption in favour of the ownership being vested in the first and second plaintiffs under s 26(4). The defendants contended otherwise and said that s 26(4) provides for name of the 'author' of a work appearing on the work and that the said subsection is not concerned with the name of an owner. The defendants urged upon me that authorship of a work is entirely different from 'ownership' of the work. The defendants again relied on Dr Khaw Lake Tee's text earlier referred to at p 66 where she states:

> Under copyright law, there is a distinction between authorship and ownership. The author generally refers to the creator of the work while the owner is the person who is entitled to control the doing of the various restricted acts. The author and owner of a copyright may not necessarily be the same person.

Relying on the definition of 'author' in s 3 of the Act, the defendants argued that the 'author' of a work must refer to a natural person.

A This submission is refuted by the plaintiffs who contended that it was improper for the defendants to read that the entire subsection deals with the question of authorship and not ownership. With regard to the defendant's submission that s 26(4) could only refer to natural persons, the plaintiffs contended that if at all the word 'writer' in s 26(4)(a) can be B read as limited to natural person, the word 'maker' is of wider import and ought to be read as referring to corporate entities as well.

The submission of the defendants fails to consider the full import of s 26. Section 26 reads 'First ownership of copyright'. It is obvious therefore that where there is a claim to authorship which can be presumed by the name of the author appearing on the works, then by virtue of sub-s (3), C which reads:

> (3) Copyright conferred by section 11 shall vest initially in the Government, Government organisation or international body and not in the author.

the claim to ownership (subject to s 11 of the Act where the copyright in D works shall vest initially in the Government, Government organisations and international bodies and not in the author), shall be presumed to also vest with the authorship. Further, the overall context and purpose of s 26 has to be considered. Whilst the term 'author' is defined in s 3, the term 'owner' is not. It is also important when considering the question of statutory presumption of ownership under s 26(4) to consider s 10(1) of E the Act, which reads:

> (1) Copyright shall subsist in every work eligible for copyright of which the author or in the case of a work of joint authorship, any of the authors is, at the time when the work is made, a qualified person.

Section 10(1) makes it abundantly clear that 'author' and 'qualified person' F share a common meaning. Section 3 defines 'qualified person' as:

> (a) in relation to an individual, means a person who is a citizen of, or a permanent resident in, Malaysia; and
>
> (b) in relation to a body corporate, means a body corporate established in Malaysia and constituted or vested with legal personality under the G laws of Malaysia; ... .

In the circumstances, if an 'author' can also mean a 'qualified person' and 'qualified person' is defined by the Act as including a body corporate, it cannot be right to read the word 'author' in s 26(4) as referring only to natural persons. By the same token, it is my judgment that the presumption H raised cannot be limited to mere authorship, but should be properly read to cover the issue of ownership. In *Berjasa Information System Sdn Bhd v Tan Gaik Leong (t/a Jurukur Berjasa) & Anor* [1996] 1 MLJ 808, I had found copyright ownership on the plaintiffs, a corporate entity. Although this issue of the presumption of ownership as arising under s 26(4) was not I raised as an issue in that case, I said this at p 821:

> I find from the documentary evidence and the affidavits, a clear intention to vest the copyright ownership on the plaintiffs. From the time the software system was developed, the plaintiffs' claim to copyright was displayed prominently at the start of the software system as copyright notice. Neither

> of the defendants registered a protest. Indeed, if the first defendant had only commissioned the plaintiffs to prepare the software system, it was his duty to have claimed ownership forthwith and to move the court promptly for an injunction to restrain the plaintiffs from so advertising.

In the fast developing sphere of corporate ownership, it is incongruous to hold that a corporate body cannot claim entitlement to copyright ownership. It is my finding that once there is a display on the program the name of a person, or a corporate body, then by virtue of s 10 of the Act read together with s 26(4) of the Act, copyright ownership shall vest in that said person or corporate body.

Is there joint ownership by the plaintiffs?

It was the plaintiffs' contention that copyright in the MEP 3 series' later versions and upgrades were jointly owned by the first and second plaintiffs and that this joint ownership was supported by the statutory presumption arising from s 26(4)(a) of the Act which spells out that the name on a work purporting to be the name of its author shall be considered as such, unless the contrary is proved. The defendants denied that the second plaintiff had established its ownership to the later versions of the MEP series. The defendants argued that joint ownership can only arise from joint creation of the works or by assignment by one owner to the subsequent joint owners and that the plaintiffs had proved neither of these facts. Since PW3, an employee of the first plaintiff had admitted in evidence that Easy Pay 3.32 was created by him, it was submitted that by virtue to s 26(2) of the Act the rightful owner of the copyright, if any, should be the first plaintiff. In any event, there is no evidence of subsequent divesting of the copyright to the second plaintiff.

I find that it is the plaintiffs' case that the MEP series is built upon an original version designed by the second plaintiff. Evidence has been led in any event, on how the development of the later versions of the MEP series received effort and input not merely from employees of the first plaintiff but of the second plaintiff as well. Notwithstanding the fact that the substantive work on the enhancement was essentially done by two programmers of the first plaintiff, PW3, a trained programmer of the first plaintiff, said in evidence:

> For versions 3.30, 3.31 and 3.32, there were two, myself and one Kamen Chia, Mr Chan Chee Kian acted as consultant.

Mr Chan Chee Kian was PW2 and he has been the computer programmer and analyst in the software department of the second plaintiff since January 1991 and was made the software manager of the second plaintiff in October 1993. It is therefore my judgment that the need for or the lack of an assignment on this issue of joint ownership is irrelevant. The issue as I see it relates to the creation of copyright in the later versions of MEP; not in the devolution of the same. Be that as it may, in any event, since both the plaintiffs have agreed among themselves to have the copyright jointly owned, it is not incumbent upon the defendants to deny this, unless the defendants can lead me to a clear statutory provisions in the Act, that this

A cannot be done. On the contrary, I am constrained to hold that sub-s (5) of s 27 of the Act favours the plaintiffs' argument since it provides:

> ... persons shall be deemed to be co-owners if they share a joint interest in the whole or any part of a copyright.

B *Implied licence granted by the plaintiffs to the defendants*

It was the defence's submission that in any event they had not infringed the copyright of any of the plaintiffs' because there was an oral agreement between the plaintiffs and the defendants allowing the defendants to reproduce the relevant programs for the agreed purpose. DW1 (Chong C Sun Foo) who was the director of all three defendants and DW2 (Rachel Swee Mei Ting) who was the former managing director of the second plaintiff and CSM gave evidence regarding the existence of an oral agreement. From the evidence adduced by these two witnesses, the defendants argued that the said oral agreement, amongst others, provided that the defendants had the licence or consent of the plaintiffs to make D copies, reproduce or modify the Easy Pay Series computer programs' new enhancements, upgrades, updates, releases and versions whether developed or produced by the second plaintiff or by any other parties authorized by it, in order to provide maintenance services to the ultimate purchasers/ users of the Easy Pay Series computer programs including but not limited E to the Malaysian Easy Pay Version 3 (MEP 3). It was the further contention of the defendants that the said oral distributorship agreement was never terminated by the second plaintiff, CSM or the first plaintiff and that it is therefore still valid and subsisting.

The plaintiffs replied by pointing out that DW1 under cross-F examination had said that the first defendant had no right to the source code. If such is the case, then the first defendant and indeed any of the other defendants as well, cannot really maintain that the defendants had the consent to modify the MEP 3.32 software so as to circumvent the dongle, since this could only be done if the defendants were provided access to the relevant source code. Pressed in cross-examination, DW1 G referred to the terms in the software maintenance agreements signed between the first defendant and CSM. But it is clear from the terms of the software maintenance agreements that 'all general enhancements and product updates aimed to improve the current version of the system' would be provided, but for new versions they had to be paid for, albeit at a 50% discount. Apart from these software maintenance agreements, there H is no written evidence to support and prove the alleged oral agreement.

I find that the evidence of DW2 in cross-examination contradicted in material particulars the evidence of DW1. In cross-examination, DW1 conceded that the first defendant was not entitled to receive the source code of the programs. DW1 also agreed that the first defendant was not I allowed to make changes to the files in the main programs, but was only allowed to 'customize'. Even under re-examination, DW1 again replied that the first defendant could not make changes to the main program, but could only customize in the sense of writing an external program to effect

calculations to suit the needs of particular customers. I find on the evidence led by the plaintiffs that the first and second defendants 'hacked' files in the source code, and the main program.

Acquiescence, implied consent and estoppel

Alternatively, the defendants submitted that this action was wholly uncontestable by reason of the conduct, consent or acquiescence of the plaintiffs, of the defendants' acts of reproducing and distributing the said improvements. It was the submission of the defendants that the terms of the oral distributorship agreement have been put into effect by both the plaintiffs and the defendants since 1987 in the course of their business transactions. The defendants have, since 1987, been reproducing the said improvements for the purpose of providing maintenance service to the ultimate purchasers of users of the Easy Pay Series computer programs with the full knowledge of the plaintiffs at all material times. It was also the defendants' contention that the plaintiffs have at all material times tacitly recognized the relationship of principal and distributor entered into between the first defendant and the second plaintiff initially, and thereafter with CSM until it was wound up and finally with the first plaintiff for a period of more than eight years and the said oral distributorship agreement had yet to be terminated to date. The defendants also submitted that during the eight years, the plaintiffs and CSM had never by conduct objected to the reproduction and distribution of any of the improvements, including MEP 3 whether it was developed or produced by the plaintiffs or CSM for the purposes of servicing the legitimate purchasers or users of the Easy Pay Series computer software. The defendants argued that the plaintiffs are thus estopped and precluded from denying and contradicting the implied licence of the defendants as granted by the plaintiffs and CSM. DW2 testified that the plaintiffs terminated the relationship of distributor and principal between the plaintiffs and the first and second defendants when there was a change of management in the first plaintiff company and after the winding up of CSM. As to why there is no documentary proof of any distributorship agreement, DW2 said that DW1 had sent a draft agreement but since it was only a standard draft agreement devoid of the peculiar arrangements already existing between the parties, the first defendant did not agree to it. Also since in the initial stages the business was not too big the defendants did not pay too much attention to the need for legal documentation. I was urged to accept this explanation.

The plaintiffs replied by stating that if the first and second defendants can reproduce even new versions containing enhanced features, including enhanced security features such as the dongle, what possible protection would the plaintiffs have when new security features are introduced, if they can, with the same supposed tacit consent, be circumvented.

Further, I do not consider that there was such an oral agreement at all and in the circumstances this submission of the defence fails.

No case as against second and third defendants

The defence contended that there was no evidence whatsoever implicating the second and third defendants. In fact, DW2 had stated that the third defendant had nothing to do with this case. It was the defence's contention that the plaintiffs had sued the wrong party.

The plaintiffs denied this and submitted that the evidence showed that the infringing copies of MEP 3.2 were distributed through the second defendant as shown in exh P3 which is a sample container in which the infringing diskettes are delivered to customers of the defendants. The labels of these containers carry the name of the second defendant. These have not been denied by the defendants. It was further submitted that DW2 in her evidence in chief had stated that the second defendant is the appointed customer support service arm of the first defendant.

I find that the purchasers of MEP 3 who purchased from the first defendant signed maintenance contracts with the second defendant for maintenance services in relation to MEP 3, including provision of updates for an annual fee. In fact, a copy of such a maintenance agreement with the second defendant was exhibited at p 34 of the agreed bundle of documents (ABD). The defendants all share the same registered addresses and have common directors and shareholders, in particular, DW2. The production and distribution of the infringing goods took place on the shared premises of all the defendants where some of the infringing items were seized, upon the execution of the Anton Piller order dated 7 April 1995 issued by this court. There is also evidence to suggest that payments of maintenance fees for MEP 3 were paid for and collected by the third defendant. In the circumstances, I hold that the plaintiffs are not misplaced in citing the second and third defendants as defendants herein.

'Hacking'

Over the course of the decade, advances in technology have created the computer industry and consequentially this new industry, needless to say, has also spawned new and complex issues.

Throughout this case, the term 'hacking' has been used by the plaintiffs. It is therefore necessary for me to see if its usage connotes the meaning attributed to it. It is pertinent to note that the term 'hacking' can on the one hand signify the free-wheeling intellectual exploration of the highest and deepest potential of computer systems. It describes the determination to make access to computers and information as free and open as possible. However, on the other hand, it means intruding into computer systems by stealth and secrecy and the term 'hacker' would refer to a computer intruder.

Hacking can also refer to the unauthorized access to computer systems by those who simply enjoy using computers and experimenting with their abilities in trying to invade a computer system as innocent hobbyists. It could also refer to a youngster imbued with the thrill of challenge and just for the heck of it, hacks into a computer system.

In the software world, hacking means computer programming. It may also involve the decompilation or reverse engineering of computer programs with the aim of changing the behaviour of the program. Computer hacking therefore, is an attempt to gain access into someone else's computer account or date.

Coming to the case at hand from the evidence of the witnesses, I find the use of this term by the plaintiffs justified.

Damages

The plaintiff submitted, that the depreciation to the value of the copyright caused by the infringement was a chose in action. In support of this proposition, En Ariff relied on *Caxton Publishing Co v Sutherland Publishing Co* [1939] LR 179 (HL) where the House of Lords held in an infringement of copyright action that the act of binding together the infringing sheets with the innocent sheets so as to form the volume produced by the appellants, constituted the act of conversion in respect of which the respondents were entitled to damages.

On the question of damages, the defendants submitted that as the Easy Pay 3.32 is partly derived from a work which belonged to CSM, a wound up company, and not the plaintiffs solely, the plaintiffs have themselves in fact infringed the copyright of CSM in reproducing the same without consent of the liquidator of CSM and that therefore the court should not condone such unlawful act. Therefore, in the event the plaintiffs succeeded in proving infringement, I was asked to deny the plaintiffs a right to damages.

Section 37(2) of the Act allows for the court to assess damages in cases of infringement. However, the same Act allows for additional damages where the court has taken into consideration:

(a) the flagrancy of the infringement; and

(b) any benefit shown to have accrued to the defendant by reason of the infringement.

The burden is on the plaintiff to prove damage, but not to a degree of certainty. Flagrancy implies scandalous conduct, deceit including deliberate and calculated infringement where a defendant reaps a pecuniary advantage in excess of the damages he would have been found liable for; see *Revenscroft v Herbert & Anor* [1980] RPC 193 at p 206. However, I find that this is a proper and fit case for me to order an inquiry as to damages for infringement of copyright and an order for payment of all sums found due upon taking such an inquiry, together with interest thereon. I however declined to award for additional damages as I did not find the need to do so.

The counterclaim

Relying on the oral agreement between the first defendant and the plaintiffs that they should provide the free releases and upgrades to the defendants, the defendants claimed breach of contract by the plaintiffs. In the circumstances, they claimed for damages.

A The defendants relied on the evidence of DW2 which was to the effect that the plaintiffs had procured and induced a number of purchaser to buy direct from the plaintiffs the Easy Pay Series and their improved versions. It was also the evidence of DW2 that the plaintiffs had copied the list of the first and second defendants' list of customers and have spread rumours that the defendants were resorting to unethical and unprofessional conduct which statements were all untrue. Based on these, the defendants claimed that they had made out a case for injurious falsehood and conspiracy.

The reply of the plaintiffs was that the defendants had failed to support the allegations of breach of contract, injurious falsehood and conspiracy with evidence. The allegations of DW2 was unsupported by cogent evidence.

I find that this counterclaim by the defendants was a lacklustre effort, devoid of purpose and lacking in merit. The defendants have not at all provided any or any sufficient credible evidence to support the bare assertions raised in their counterclaim and repeated in court by DW2. In so far as the claim for breach of contract is concerned, since I had already found against the defendants on the question of the existence of the oral contract, the claim for breach of contract as pleaded in the counterclaim must perforce, fail.

In *Wilts United Dairies Ltd v Thomas Robinson Sons & Co Ltd* [1957] RPC 220, Stable J very succinctly categorized the requirements to be made out for a case of injurious falsehood. In that case, it was alleged that the defendants, knowing what they were doing, purchased a large quantity of the plaintiffs' 'British Maid' tinned condensed milk, which they knew was old stock and stale stock, and put that milk into circulation through various wholesalers and retailers as being the normal standard of 'British Maid' milk. The plaintiffs complained that that was an injurious falsehood, or that it was a passing off, as being milk of the current production, milk that had, in the course of time, been relegated to a class of old or stale milk. It was held that there had been passing off and injurious falsehood. On the meaning of malice, Stable J said at p 237:

> As I understand, the law is this, that you publish a defamatory statement about a man's goods which is injurious to him, honestly believing that it is true, your object being your own advantage and no detriment to him, you obviously are not liable. If you publish a statement which turns out to be false but which you honestly believe to be true, but you publish that statement which, not for the purpose of protecting your own interests and achieving some advantage to yourself but for the purpose of doing him harm, and it transpires, contrary to your belief, that the statement that you believed to be true has turned out to be false, notwithstanding the bona fides of your belief because the object you had in mind was to injure him and not to advantage yourself, you would be liable for an injurious falsehood.
>
> The third proposition which I derive from the cases is this, that if you publish an injurious falsehood which you know to be false, albeit that your only object is your own advantage and with no intention or desire to injure the person in relation to whose goods the falsehood is published, then provided that it is clear from the nature of the falsehood that it is intrinsically

injurious — I say 'intrinsically', meaning not deliberately aimed with intent to injure but as being inherent in the statement itself, the defendant is responsible, the malice consisting in the fact that what he published he knew to be false.

Whilst the pleadings bear out the requirements propounded by Stable J, with which categorization I wish to totally associate myself, I am unable to find any line of testimony other than the mere unsupported assertion of DW2, to even suggest any evidence that could bear out the defendants' claim on this ground.

In the circumstances, I dismissed the counterclaim with costs.

Taking into account all the circumstances of this case and after evaluating the evidence of the witnesses and the submissions of counsel, and here I must express my gratitude to both counsel for their thoroughness, I find that there has been clear infringement by the defendants who actually indulged in impermissible self-help when 'hacking' the files in the computer program owned by the plaintiffs. It cannot be plausible to conclude, as the defendants venture to argue that they have the right to circumvent the dongle protection device, since otherwise all attempts by the plaintiffs to produce enhancements and strengthen security features will come to nought. In the circumstances and in respect of the claim proper, I granted the plaintiffs' prayers for:

(a) a declaration that the first and/or second and/or third defendants have infringed the first and/or second plaintiffs' copyright in Easy Pay 3 and its upgrades, and the second plaintiff's copyright in Easy Asset, Easy Pay and Easy Staff and its upgrades;

(b) a permanent injunction restraining the defendants or any one of them through their directors, officers, servants, agents, nominees or any one of them or otherwise howsoever from doing the following acts without the first and second plaintiffs' or the second plaintiff's (as the case may be) prior consent or licence, that is to say:

(i) modifying, varying or otherwise altering and/or reproducing copies (including such modified, varied and/or altered copies) or any part thereof of the first and second plaintiffs' computer software, Easy Pay 3, and of the second plaintiff's computer software, namely Easy Staff, Easy Cash and Easy Asset and/or any upgrade or upgrades and/or version or versions of the same, past, present or future (collectively, 'the plaintiffs' works'); and/or

(ii) selling, exposing and/or offering for sale or otherwise distributing by way of trade or otherwise the items aforesaid in para (i) above;

(iii) decoding, tampering or otherwise interfering with the operation of any copy protection device accompanying the plaintiffs' works;

(iv) infringing in any manner whatsoever the first and/or second plaintiffs' copyright in the plaintiffs' works;

(v) facilitating, causing, procuring and/or otherwise assisting in the doing of any of or all such acts aforesaid in paras (i), (ii), (iii) and (iv) above;

A (d) an inquiry as to damages for infringement of copyright;

(e) an order for payment of all sums found due upon taking such an inquiry as in (d) above together with interest thereon; and

(f) costs.

B *Order accordingly.*

Reported by Zahid Taib

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